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Balanced IT

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July 21, 2008

Faced with an ever-expanding number of projects, applications and stakeholder expectations, IT executives must balance three prime directives: align IT with strategic business objectives; increase opportunities for IT to contribute to growth and profitability; and manage new and existing IT investments. To deliver, they need a balanced approach to IT portfolio management.

IT Portfolio Management (ITPM) is a disciplined and structured approach designed to map business requirements to IT decisions. Taking a portfolio approach enables IT organizations to categorize, evaluate and prioritize initiatives and manage IT resources to create new business opportunities or enhance the value of existing investments. This approach enables IT to align their spending with business priorities and achieve an optimal balance of risk and reward.

A critical aspect of IT Portfolio Management — and effective IT governance — is the ability to track where and how resources are utilized across the organization, determine what applications are strategic, and measure the true cost of IT initiatives and associated risks. This comprehensive view, however, can only be achieved when IT organizations are able to manage their portfolio with a disciplined approach: automating and optimizing the management of projects, applications, resources and processes to provide real-time visibility into key performance metrics that drive portfolio decision making.

ITPM delivers the promise of a truly *integrated* IT organization, as a business within a business. It brings together measurement, analysis and prioritization of work within IT and automation of portfolio management processes. This information is made available for IT and business groups across the enterprise.

Let's look at each of the three key elements of ITPM — which roughly correspond to the three "prime directives" — and how each provides an integral part of a complete and integrated solution:

Portfolio Planning is the basis and rationale for investment decision making. It helps IT collaborate with the business to select and prioritize proposed projects and infrastructure investments that best support strategic business objectives, while balancing risk and value. Portfolio Planning leverages specific, repeatable business criteria, by which proposed projects are evaluated and compared. It also helps evaluate each aspect of a proposed project, using multiple perspectives to prioritize investments, including financial, business impact, strategic fit, risk and architectural fit.

Project Portfolio Management (PPM) focuses on projects that have been funded. The goal of PPM is successful project delivery; to optimize current project resources across the portfolio and proactively manage project risks in an environment of constantly changing requirements. By tracking all projects in development and their current health, PPM processes create a consolidated view of all projects with ongoing evaluation of their value and risks.

A PPM discipline enforces a continuous “gating” mechanism to ensure projects remain aligned with strategic goals, assumptions defined in their original business case are adhered to, and decisions made during development are based on timely and accurate data. By their very nature, timelines, budgets, scope and project teams change over time. PPM processes and disciplines seek to provide real-time data that can assist in making project decisions, as well as more analytical “what-if” scenarios that can direct future portfolio decisions.

Application Portfolio Management (APM) directly complements PPM by providing an understanding of the health of strategic applications. APM processes focus on continuous measurement, evaluation, categorization, assessment and justification of each application in production, and how its performance is—or is not—providing ROI. Ongoing monitoring and analysis enables IT organizations to develop more accurate strategic roadmaps for each application across its life cycle. Measuring the risk, cost and value of an application also provides input for portfolio planning.

For IT portfolio management initiatives to be truly successful, they must be designed to help decide which projects to undertake, manage their progress and measure their success once complete. The extent to which an organization applies and acts on the elements of an ITPM discipline will vary, depending on the organization’s business, its strategic goals, maturity and the size and complexity of its portfolio.

Moreover, ITPM is not a magic bullet. The success of this discipline depends greatly on an organization’s commitment; their ability to foster culture change and process maturity; and on enhancing the skill and effectiveness of the various stakeholders throughout the organization. There are, however, several best practices that have been shown to significantly increase the effectiveness of any size of ITPM initiative.

Best Practices for a Balanced IT Portfolio

One of the most oft-repeated best practices for a successful ITPM initiative is to take a top-down approach. This requires management buy in, and collaboration between IT and the business it serves. Stakeholders throughout the organization need to agree upon the business strategy, key performance indicators and document critical success factors directly related to the needs of the organization. Only then are IT strategies mapped to organizational strategies. Companies that use the top-down approach have been shown to have a higher success rates with portfolio management.

Several other beneficial best practices have been identified to help increase success rates, reduce the time and effort it takes to implement, and maximize the benefits of ITPM:

Getting Started…

> Make IT Portfolio Management an integral part of IT governance: ITPM provides important support for IT governance initiatives. Vital IT governance entities and processes—from reporting structures and committees to organizational templates and decision criteria—are significantly hindered without a portfolio management discipline. ITPM solutions provide the visibility into portfolio status, performance and planning information that IT governance structures and processes depend on to be successful.

> Involve stakeholders/executive teams/IT account managers: The best way to ensure support of portfolio management disciplines is to engage stakeholders throughout the organization and have them provide input into portfolio metrics and prioritization, among other criteria. Integrated portfolio management solutions provide a stable framework that can turn an otherwise complex, labor-intensive and potentially argumentative series of discussions into a simpler and more collaborative process.

> Start small and add capabilities as you go:ITPM is not a quick fix; indeed, it takes time to bring it to full maturity. But that doesn’t mean you can’t find immediate benefit—improvement on the return of IT investments—from using a portfolio management discipline even in its early stages. IT organizations can find significant savings via incremental optimization, such as identifying and eliminating redundant applications (and their licenses) or projects. This incremental approach can be the most sensible choice, gradually easing their organization to full adoption.

> Charter the Project Management Office (PMO) to carry out ITPM: Organizations that have created their own PMO— to act as repository for project management expertise and be responsible for applying that expertise to ongoing projects—are extending the responsibilities of the PMO to implement, manage and communicate the progress of portfolio management initiatives. It's an innate fit, and organizations that are aligning their PMO with ITPM processes are already reaping the benefits: portfolios that are attuned to business requirements.

Ongoing best practices…

> Assess the portfolio regularly: The project portfolio needs to be reviewed on a regular basis to ensure the projects remain aligned with strategic priorities, and to determine if they are being completed on time, within budget and are providing the benefits for which they were designed and developed. The application portfolio needs to be reviewed for strategic fit, cost effectiveness, and to ensure that customer satisfaction is high. A portfolio management discipline puts consistent, timely and disciplined reviews on the entire portfolio. Whether a change in a project stems from changes in the business requirements, market forces, shifts in technologies or a business merger or acquisition, a good ITPM process reviews all proposed portfolio changes against predefined metrics such as cost, risk and ROI.

> Provide transparency into decision-making processes: Because ITPM makes the prioritization process transparent, managers can evaluate proposed projects against a set of objective criteria. This allows IT to make tough decisions with more confidence. Difficult decisions — such as rejecting proposed projects, shutting down projects in progress that are no longer aligned with business strategy, or retiring aging applications that no longer add value — are more easily supported by stakeholders when objective, clearly communicated information is brought into the decision-making process.

> Communicate on a regular basis: Because an ITPM discipline can bring significant changes to the way an organization manages its business, the need to effectively communicate decisions is paramount. Integrated ITPM solutions that help gather and communicate data and criteria used in decision-making processes can have a significant and positive effect. A good portfolio management discipline also facilitates early buy-in by involving stakeholders in determining criteria for strategic decision-making.

The Benefits of IT Portfolio Management

As IT organizations move to directly support business objectives, they are being asked to operate like any other line of business within the organization. Executive managers need to know exactly how decisions are reached in IT, what the real-world valuations are, and what the ROI will be. Essentially, they need transparency into IT decisionmaking, and to be presented with sound justifications for expenditures. Further, IT is expected to manage more risk factors within projects and applications, and satisfy compliance issues in the face of increasingly stringent regulatory guidelines and legislation such as HIPAA and Sarbanes-Oxley. Lastly, if IT is to become an equal contributor to the organization, it must find ways to reduce its operating costs and pass the savings on to the business or invest in new strategic projects.

In each case, ITPM helps deliver increased levels of risk control, visibility, communication and cost reduction, all while ensuring a more collaborative relationship with the business. The right mix of leadership, discipline and automation enables IT alignment with the strategic goals of the business today. Indeed, IT organizations can take advantage of an integrated ITPM solution to achieve five major benefits for the business as a whole:

> Increased visibility into IT spending: By helping to create a top-down view of IT spending as it relates to business requirements — and by linking portfolios to their related business processes — IT and business managers can evaluate the value of each project and what investment level is justified.

> Increased transparency into IT decisionmaking: When selecting and prioritizing requests for new projects, altering the current project portfolio or making application life-cycle decisions, IT can use portfolio management processes to include stakeholders in decision-making. Further, by helping to create standardized and highly visible decision processes, ITPM engages business stakeholders and makes them partners in the process.

> Reduced costs: Without a clear understanding of where expenses are incurred and why, it's impossible to reduce costs. Portfolio management processes shed light on the projects and applications currently under management. ITPM delivers a regular, rigorous review process that helps ensure that decisions are based on well-defined business criteria, which helps to eliminate projects that have become ineffective or applications that are no longer used, and identify where resources can be applied more effectively.

> Managed risks: Identifying and managing risks in the portfolio is a critical success factor of portfolio management. An IT organization identifies and codifies risk assessment criteria, by which each component in the portfolio is weighed and evaluated against the organization's risk threshold.

> Greater agility: Once resources and budgets have been defined and are managed, IT can quickly gain a complete view of the portfolio. ITPM helps bring agility to IT management by enabling a complete view of the portfolio, thereby enhancing an organization's ability to respond to change with a better understanding of the effect on the entire portfolio.

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IT value

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